

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

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POTTBERG, GASSMAN & HOFFMAN

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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Board of Directors
North Central Kansas Regional Juvenile Detention Facility
Junction City, Kansas

We have audited the accompanying financial statements of the North Central Kansas Regional Juvenile Detention Facility, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Facility prepares its financial statements on the statutory basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of North Central Kansas Regional Juvenile Detention Facility, as of December 31, 2009, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the North Central Kansas Regional Juvenile Detention Facility, as of December 31, 2009, and its cash receipts and expenditures on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements of the North Central Kansas Regional Juvenile Detention Facility. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chtd.
Junction City, Kansas
February 10, 2010

MEMBERS:

American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 663,663	\$ -	\$ 549,621	\$ 864,028	\$ 349,256	\$ -	\$ 349,256
Total Reporting Entity	\$ 663,663	\$ -	\$ 549,621	\$ 864,028	\$ 349,256	\$ -	\$ 349,256
Composition of Cash:							
				Checking Account			\$ 163,890
				Certificates of Deposit			185,366
				Total Reporting Entity			\$ 349,256

The notes to the financial statements are an integral part of this statement.

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2008)

<u>GENERAL FUND</u>	<u>2008</u>	<u>2009</u>
Cash Receipts:		
State and County Payments	\$ 694,956	\$ 538,461
Interest	27,281	11,160
Total Cash Receipts	<u>722,237</u>	<u>549,621</u>
Expenditures:		
Advertising, Dues and Subscriptions	1,375	1,430
Accounting	9,850	11,077
Legal	2,212	4,903
General Supplies	19,446	15,849
Insurance - Property and Other	24,075	21,312
Insurance - Workers Comp	14,268	16,060
Food Service	51,300	43,704
Utilities	23,606	25,310
Telephone	3,627	5,091
Postage	996	1,427
Resident Medical / Miscellaneous	4,435	2,659
Employee Medical	950	1,622
Payroll Taxes	36,695	40,330
Payroll	485,025	540,191
Repairs and Maintenance	18,821	20,803
Capital Outlay	1,014	5,805
Staff Training and Travel	5,234	5,252
KPERS Employer Contribution	22,258	32,302
Insurance - Medical	46,826	63,978
Uniform Rentals	9,460	10,241
Total Expenditures	<u>781,473</u>	<u>864,028</u>
Receipts Over (Under) Expenditures	(59,236)	(314,407)
Unencumbered Cash, January 1	<u>722,899</u>	<u>663,663</u>
Unencumbered Cash, December 31	<u>\$ 663,663</u>	<u>\$ 349,256</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTAL INFORMATION

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
<u>GENERAL FUND</u>			
Cash Receipts:			
State and County Payments	\$ 538,461	\$ 925,000	\$ (386,539)
Interest	11,160	-	11,160
Total Cash Receipts	<u>549,621</u>	<u>925,000</u>	<u>(375,379)</u>
Expenditures:			
Advertising, Dues and Subscriptions	1,430	2,000	(570)
Accounting	11,077	14,000	(2,923)
Legal	4,903	8,000	(3,097)
General Supplies	15,849	25,000	(9,151)
Insurance - Property and Other	21,312	30,000	(8,688)
Insurance - Workers Comp	16,060	20,000	(3,940)
Food Service	43,704	60,000	(16,296)
Utilities	25,310	32,000	(6,690)
Telephone	5,091	6,000	(909)
Postage	1,427	2,000	(573)
Resident Medical / Miscellaneous	2,659	3,000	(5,659)
Employee Medical	1,622	1,000	622
Payroll Taxes	40,330	50,000	(9,670)
Payroll	540,191	540,000	191
Repairs and Maintenance	20,803	25,000	(4,197)
Capital Outlay	5,805	4,000	1,805
Staff Training and Travel	5,252	6,000	(748)
KPERs Employer Contribution	32,302	26,000	6,302
Insurance - Medical	63,978	60,000	3,978
Uniform Rentals	10,241	11,000	(759)
Total Expenditures	<u>864,028</u>	<u>925,000</u>	<u>(60,972)</u>
Receipts Over (Under) Expenditures	<u>\$ (314,407)</u>	<u>\$ -</u>	<u>\$ (314,407)</u>

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The North Central Kansas Regional Juvenile Detention Facility is a jointly governed organization created as a separate legal entity on November 23, 1992. The Facility, located in Junction City, Kansas, was organized by its members to provide a detention facility for juvenile offenders. The governing body of the facility is composed of member county representatives. The member counties are Geary, Riley, Dickinson, Marion, Morris, Cloud, Mitchell, Republic, Lincoln, Jewell, Washington, Marshall, Pottawatomie and Ottawa.

The Facility's financial statements include the accounts of all Facility operations.

B. Fund Accounting

The Facility uses a Governmental fund to account for its financial activity.

Governmental Fund Types:

General Fund –

The General Fund is the operating fund of the Facility. This fund is used to account for all financial resources. All expenditures of the Facility are paid from the General Fund.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Facility has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Facility to use the statutory basis of accounting.

D. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the Facility are not presented in the financial statements. Capital assets arising from cash transactions are accounted for as capital outlay.

NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

D. Departure from Generally Accepted Accounting Principles (Continued)

expenditures upon acquisition. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial information.

E. Budgetary Control

The Facility interlocal cooperation agreement establishes the fiscal year as the twelve-month period beginning January 1. The Facility's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the facility to prepare or submit a legal budget.

Spending, which is not subject to the legal budget requirement, is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual cash receipts and expenditures and budget amounts is presented as supplemental information.

F. Use of Estimates

The preparation of financial statements in conformity with the statutory basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Compensated Absences

The Facility's policy is to recognize the costs of compensated absences when actually paid.

The Facility's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service as follows:

Years of Continuous Service	Vacation Days Accrued	Maximum Accrual
One or Less	0.75 days/mo.	9 days
1 to 10	1.25 days/mo.	20 days
10 to 15	1.50 days/mo.	24 days
Over 15	2.00 days/mo.	30 days

Vacation leave is earned by the month. Upon termination of employment an employee is entitled to pay for unused accrued vacation leave. The facility estimates the dollar amount of accrued vacation at December 31, 2009 at \$22,583.

Employees with one year or less of service are allowed one half day per month of sick leave with a maximum accrual of six days. Employees with more than one year of service are allowed one day of sick leave per month of employment and may accumulate up to 90 days of unused sick leave. Upon termination accumulated sick days are lost and no payment is made to the employee.

Note 2. Deposits

At December 31, 2009, the carrying amount of the Facility's deposits was \$342,723 and the bank balance was \$369,543. The bank balance was held by two banks resulting in concentration of credit risk. The entire bank balance was covered by FDIC insurance.

NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

Note 3. Long-term Debt

Changes in long-term liabilities for the Facility for the year ended December 31, 2009 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Compensated Absences					\$ 19,365	\$ -	\$ -	\$ 3,218	\$22,583	\$ -

Note 4. Defined Benefit Pension Plan

A. Plan Description

The Facility contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

A. Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2009 was 6.54%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. From March 1 through November 30, 2009, there was a moratorium on the collection of the premium of 1.0% of the Group Death and Disability Insurance Rate. The Facility employer contributions to KPERs for retirement and insurance for the years ending December 31, 2009, 2008 and 2007 were \$32,128, \$21,483 and \$19,141, respectively, equal to the required contributions for each year.

Note 5. 2008 Financial Data

The amounts shown for 2008 in the financial statements are included where practicable, only to provide a basis for comparison with 2009, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Note 6. Litigation

There were no legal actions involving the Facility as of December 31, 2009.

Note 7. Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Facility has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.